

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Negotiated Service Agreements

Docket No. CP2017-242

PUBLIC REPRESENTATIVE COMMENTS ON
UNITED STATES POSTAL SERVICE NOTICE OF FILING
MODIFICATION THREE TO A GLOBAL PLUS 1D
NEGOTIATED SERVICE AGREEMENT

(August 20, 2018)

INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreements.¹ In that Notice, the Commission established the above-referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Notice of Filing of Modification Two to a Global Plus 1D Negotiated Service.

The Postal Service's Request includes copies filed under seal of Modification Two and the certified statement required by 39 C.F.R. § 3015.5(c)(2) filed as Attachments 1 and 2 respectively,² as well as the revised financial workpapers.

The Commission established Global Plus 1D as a new competitive product, different from Global Plus 1C, in Docket No. CP2016-193, Order No. 3395. The Commission determined that Global Plus 1D differs from Global Plus 1C because it did

¹ Postal Regulatory Commission, Notice Initiating Docket(s) For Recent Postal Service Negotiated Agreement Filings (Notice), Docket No. CP2018-242, August 13, 2018

² The Postal Service incorporates by reference Governors' Decision No. 11-6, which was included as Attachment 3 in the Postal Service's initial filing in this docket. See Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1D Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, Docket No. CP2017-242, August 2, 2017

not contain Global Bulk Economy (GBE), Global Direct (GD), International Business Reply Mail (IBRS), and Global Express Guaranteed (GXG).³

Customers of Global Plus 1D contracts are Postal Qualified Wholesalers (PQWs) and other large business who offer mailing services to end users for shipping articles via International Priority Airmail (IPA), International Surface Air Lift (ISAL), Priority Mail Express International (PMEI), Priority Mail International (PMI), and Commercial ePacket (CeP).

In this proceeding, the Postal Service requests to modify the contract approved in Order No. 4046⁴ by revising certain articles pertaining to qualifying mail, making changes to certain articles and annexes, and extending the Agreement to August 31, 2019.⁵

COMMENTS

The Public Representative has reviewed the Postal Service's Proposed Modifications, the Statement of Supporting Justification, as well as the proposed amendments and the financial data filed under seal. Based upon that review, the Public Representative concludes that the proposed amendments to the underlying Global Plus 1D contract continue to be classified as a competitive product. In addition, it appears the proposed amendments will continue to permit the generation of revenues sufficient to cover costs during the remainder of the contract, thereby satisfying 39 U.S.C. § 3633(a).

Product List Assignment. 39 U.S.C. § 3642, requires the Commission to consider whether "the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products." 39 U.S.C. § 3642(b)(1). Products over which the Postal

³ Postal Regulatory Commission, Order No. 3395, Docket No. CP2016-193, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, June 29, 2016,

⁴ PRC Order No. 4046, Order Approving Additional Global Plus 1D Negotiated Service Agreements and Conditionally Approving Modifications, Docket No. CP2017-240, August 16, 2017.

⁵ Docket No. CP2017-248, Notice Of The United States Postal Service Of Filing Modification Three To A Global Plus 1D Negotiated Service Agreement, August 10, 2018 (Notice), at 1.

Service exercises such power are categorized as market dominant, while all others are categorized as competitive. Since the proposed amendments do not alter the product(s) offered by this NSA, the Public Representative believes it is not necessary to address the considerations of section 3642(b)(1).

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

Based upon a review of the financial data, the negotiated prices for this amended Global Plus 1D contract should generate sufficient revenues to cover its attributable costs for the remainder of the contract, and therefore meet the requirements of 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Lawrence Fenster
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
202-789-6862
lawrence.fenster@prc.gov